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September 22, 2021

**Statement by Mr. Odonye and Mr. Abdullahi on Republic of Congo
(Preliminary)
Executive Board Meeting
September 24, 2021**

We thank staff for the informative set of reports and Messrs. Andrianarivelo, Mr. N'Sonde, and Mr. Sidi Bouna for their helpful buff statement.

The Republic of Congo is a fragile economy that heavily depends on a volatile oil sector and rain-fed agricultural production. A confluence of shocks from the COVID-19 pandemic and collapse in hydrocarbon receipts resulted in a severe economic contraction in 2020. Recent improvement in the global oil prices coupled with the vaccine rollout, government social spending and domestic arrears repayments is driving the expected recovery. However, volatile oil price and production, the recurring pandemic with a more virulent virus and the global transition to low carbon could dampen the momentum to pursue the adjustments to achieve a medium- to long-term recovery. Against this background, we broadly agree with staff appraisal and recommendations to focus on prudent fiscal management, economic diversification, and improved governance to achieve resilient, green, and inclusive growth.

We commend the authorities for their forceful measures that largely contained the virus and infection rates. However, we note that the new highly infectious delta variant presents additional negative risks to growth. The vaccination campaign launched in March 2021 is appropriate and we support the authorities' plan to vaccinate 60 percent of the population by mid-2022. Nonetheless, limited resources and Congo's weak health infrastructure would hamper the efforts to achieve the laudable goal. *Could staff comment on the country's vaccine deployment strategy amidst a hesitant population and whether the country has secured enough vaccine doses?*

The country remains in debt distress despite the recent debt restructuring agreements and repayments as well as the higher prospects for oil revenues. Governance and structural impediments are among key risks. We agree with staff that reduced tax exemptions and transfers to state-owned enterprises with improved public investment and debt management could contribute to mitigating the large fiscal deficit and debt vulnerabilities. This puts the

authorities' medium term fiscal strategy that prioritizes debt sustainability and protects important social spending in the right path. Further, we see merit in staff's recommendation to enhance domestic revenue mobilization and create fiscal space for critical development spending through introduction of new tax measures and improved tax administration while reducing non-priority spending.

Given the fragility and challenges facing the country, we are concerned that support from development partners lags the expectations. The staff report points to a tough path to thread by the country without support of development partners, to substantially reduce poverty or exit fragility. In this regard, we strongly urge development partners to resume providing critical budget support to help finance social and physical infrastructure. Since the debt is adjudged as sustainable, we encourage intensified discussion of the successor ECF that the authorities expressed interest to catalyze additional financing and TA to support their reform efforts.

Improving governance and transparency remains critical to improving business environment and ensure inclusive growth. We welcome the recent legislative and regulatory improvements, including the new anti-corruption law, which align domestic laws with various international and regional conventions and treaties. The establishment of the commissions on anti-corruption and transparency would enhance the goals. Further, we urge the immediate adoption of the organic law for the Court of Auditors and Budgetary Discipline to improve the efficiency and ability to deliver independent external auditing.

Finally, economic diversification remains imperative to achieve a more resilient and inclusive growth. Reliance on rain-fed agriculture leaves the country vulnerable to adverse weather conditions and reinforces the environment of food insecurity. Similarly, expected long-term downward trajectory of oil production and the global transition to low carbon fuels could exert additional pressures on oil revenue which substantially contributes to foreign reserves and fiscal revenue. We look forward to reading future positive reports of the authorities' new growth strategy that prioritizes diversification and inclusion while pursuing the climate change goals. *We would appreciate more highlights on the authorities' financial and technical capacity to implement the growth and climate strategies without strong support of development partners.*